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MINNESOTA REQUIREMENTS, LIFE INSURANCE – INDIVIDUAL

I. Minnesota Specific Requirements to be Included in Life Insurance Policies

The following are the requirements that the department analysts will be applying to individual life insurance filings submitted to the department. Every item on the checklist applies to all types of life insurance unless there is specific language that it does not.

Additional requirements for Variable Contracts and actuarial review criteria for all life insurance contracts appear in separate specific checklists.

A. Limitation on Combination Policies

Minn. Stat. Chapter §60A.06, subd. 3

(a) Unless specifically authorized by Minn. Stat. §60A.06, subd. 1, clause (4) it is unlawful to combine in one policy coverage permitted by subdivision 1, clauses (4) and (5)(a). This subdivision does not prohibit the simultaneous sale of these products, but the sale must involve two separate and distinct policies.

(b) This subdivision does not apply to group policies.

(c) This subdivision does not apply to policies permitted by Minn. Stat. §60A.06, subd. 1, clause (4), that contain benefits providing acceleration of life, endowment, or annuity benefits in advance of the time they would otherwise be payable, or to long-term care policies as defined in Minn. Stat. §62A.46, subdivision 2, or chapter 62S.

B. Readability Requirements

Minn. Stat. Chapter 72C All forms must comply with the requirements of Minnesota Chapter 72C, including achieving a Flesch scale analysis readability score of more than 40.

C. Signatures Required

Minn. Stat. §60A.08, subd. 5 All insurance policies shall be signed by the secretary or an assistant secretary, and by the president or vice-president, or in their absence, by two directors of the insurer. The signatures may be facsimile signatures.

Minn. R. Part 2605.0400 Filings made solely to change a company name or officer signature, correct printing errors, or make editorial changes are subject to filing fees.

D. Minnesota Life and Health Guaranty Association

Minn. Stat. §61B.28, subd. 7 A copy of the Life and Health Insurance Guaranty Association notice in the form specified in Minn. Stat. §61B.28, subd. 8 must be delivered at the time of application for that policy or contract or at the time of delivery of the policy or contract. The notice may be part of the application.

E. Required Provisions; Life Insurance Policies

Minn. Stat. §61A.03, subd. 1 No policy of life insurance may be issued in this state or by a life insurance company organized under the laws of this state unless it contains the following provisions:

(a) Premium A provision that all premiums are payable in advance either at the home office of the company, or to an agent of the company, upon delivery of a receipt signed by one or more officers named in the policy and countersigned by the agent, but a policy may contain a provision that the policy itself is a receipt for the first premium.

(b) Grace period A provision for a one month grace period for the payment of every premium after the first, during which the insurance will continue in force. The provision may subject the late payment to a finance charge and contain a stipulation that if the insured dies during the grace period, the overdue premium will be deducted in any settlement under the policy.

(c) Entire contract A provision that the policy constitutes the entire contract between the parties and is incontestable after it has been in force during the lifetime of the insured for two years from its date, except for nonpayment of premiums and except for violations of the conditions of the policy relating to naval and military services in time of war: that at the option of the company, provisions relative to benefits in the event of total and permanent disability, and provisions which grant additional insurance specifically against death by accident, may be excepted; and that a special form of policy may be issued on the life of a person employed in an occupation classified by the company as extra hazardous or as leading to hazardous employment, which provides that service in certain designated occupations may reduce the company's liability under the policy to a certain designated amount not less than the full policy reserve.

See Also: Minn. Stat. §61A.05, Life Policies to Contain Entire Contract Every policy of insurance issued or delivered within this state on or after the first day of January, 1908, by any life insurance corporation doing business within the state, shall contain the entire contract between the parties.

Every policy which contains a reference to the application, either as a part of the policy or as having any bearing thereon, shall have a copy of such application attached thereto or set out therein.

(d) Representations and warranties A provision that, in the absence of fraud, all statements made by the insured are representations and not warranties, and that no statement voids the policy unless it is contained in a written application and a copy of the application is endorsed upon or attached to the policy when issued.

(e) Misstatements of age A provision that if the age of the insured is understated the amount payable under the policy will be the amount the premium would have purchased at the correct age.

(f) Dividends on participating policies A provision that the policy will participate in the surplus of the company and that, beginning not later than the end of the third policy year, the company will annually determine and account for the portion of the divisible surplus accruing on the policy, and that the owner of the policy has the right, each year after the fifth, to have the current dividend arising from the participation paid in cash. If the policy provides other dividend options, it must specify which option is effective if the owner of the policy does not elect an option. The provision may condition any dividends payable during the first five years of the policy upon the payment of the next ensuing annual premium. This provision is not required in nonparticipating policies, in policies issued on under-average lives, or in insurance in exchange or lapsed or surrendered policies.

(g) Policy loans A provision:

(1) that after three full years' premiums have been paid, the company at any time while the policy is in force, will advance, on proper assignment of the policy, and on the sole security thereof, at a specified rate of interest, not to exceed eight percent per annum, or at an adjustable rate of interest as otherwise provided for in this section, a sum equal to, or, at the option of the owner of the policy, less than the loan value thereof;

(2) that the loan value is the cash surrender value thereof at the end of the current policy year;

(3) that the loan, unless made to pay premiums, may be deferred for not more than six months after the application for it is made;

(4) that the company will deduct from the loan value any existing indebtedness on the policy and any unpaid balance of the premium for current policy year, and may collect interest in advance on the loan to the end of the current policy year;

(5) that the failure to repay an advance or to pay interest does not void the policy unless the total indebtedness thereon to the company equals or exceeds, the loan value at the time of the failure, nor until one month after notice has been mailed by the company to the last known address of the insured and of the assignee of record at the home office of the company, and

(6) that no condition other than those provided in this section will be exacted as a prerequisite to an advance. **This provision is not required on term insurance.**

(h) Reinstatement A provision that if, in event of default in premium payments, the nonforfeiture value of the policy is applied to the purchase of other insurance, and if that insurance is in force and the original policy has not been surrendered to the company and canceled, the policy may be reinstated within three years after the default upon evidence of insurability satisfactory to the company and payment of arrears of premiums with interest.

(i) Payment of claims A provision that, when a policy becomes a claim by the death of the insured, settlement will be made within two months after receipt of due proof of death.

(j) Settlement option A table showing the amount of installments in which the policy may provide its proceeds may be payable.

(k) Description of policy A title on the face and on the back of the policy briefly and correctly describing the policy in bold letters stating its general character, dividend periods, and other particulars, so that the holder will not be able to mistake the nature and scope of the contract.

(l) Form number A form number in the lower left-hand corner of the first page of each form, including riders and endorsements.

Any of the foregoing provisions or portions thereof relating to premiums not applicable to single premium policies must not be incorporated therein.

F. Interest Rates on Policy Loans

Minn. Stat. §61A.03, Subd. 2

(a) A life insurance policy which provides for policy loans must contain a provision concerning maximum policy loan interest rates as follows:

(1) a provision permitting a maximum interest rate of not more than eight percent per annum; or

(2) a provision permitting an adjustable maximum interest rate established from time to time by the life insurer as permitted by this subdivision.

(b) No life insurer may issue policies with a policy loan provision providing for an adjustable maximum interest rate under paragraph (a), clause (2), unless the insurer also makes available policies with a policy loan provision providing for a fixed rate of interest under paragraph (a), clause (1).

(d) If the maximum rate of interest is determined pursuant to paragraph (a), clause (2), the policy must contain a provision setting forth the frequency at which the rate is to be determined for that policy.

(e) The maximum rate referred to in paragraph (d) must be determined at regular intervals at least once every 12 months, but not more frequently than once in any three-month period. At the intervals specified in the policy:

- (1) The rate being charged may be increased whenever the increase as determined under (c) would increase that rate by one-half percent or more per annum; and
- (2) The rate being charged must be reduced whenever the reduction as determined under paragraph (c) would decrease that rate by one-half percent or more per annum.

(h) Prior to offering insurance policies with an adjustable policy loan interest rate or offering to add a provision for an adjustable policy loan interest rate to existing policyholders, the insurer shall file a written plan setting forth the manner in which policyholders will receive a reasonable benefit in the form of price reductions, increased amounts of insurance or increased dividends from the increased earnings of the insurer resulting from the use of the adjustable rate and, if applicable, the effect of a policy loan on dividends and dividend rates. A summary of the plan must be made available upon request to each policyholder and must be provided to each applicant for a policy before the initial premium is received.

(i) the pertinent provisions of paragraphs (a) and (e) must be set forth in substance in the policies to which they apply.

G. Suicide Provisions

Minn. Stat. §61A.031 The sanity or insanity of a person shall not be a factor in determining whether a person committed suicide within the terms of an individual or group life insurance policy regulating the payment of benefits in the event of the insured's suicide.

H. Spendthrift Provisions

Minn. Stat. §61A.04 In addition to the provisions now required by law to be in the standard form of life insurance policies issued or delivered in this state, there shall be,

when such policy provides for the payment to the beneficiary the proceeds thereof, in either monthly, quarterly, semiannual or annual installments, to continue during the lifetime of the beneficiary, or for a stipulated number of years, whenever requested by the insured under the policy, the following provisions:

All rights of the beneficiary to commute, change time of payment or amount of installments, surrender for cash, borrow against or assign for any purpose, are hereby withdrawn and those parts of this policy giving the beneficiary such rights are hereby declared inoperative and void; it being the intent hereof that the beneficiary shall have no right under this contract except to receive the installments at such times and in such amounts as stated in this policy, and all the provisions of this policy in conflict herewith are hereby declared to be inoperative.

This provision may be attached to any policy in the form of a rider thereon, and, when so attached, shall become a part of and form a part of the contract of insurance, evidenced by the policy to all intents and purposes as if set forth at length therein.

I. Aviation and War Risk Exclusion Permitted

Minn. Stat. §61A.06 Policies of life insurance may be delivered or issued for delivery in this state which limit the amount to be paid in the event of death occurring as a result of travel or flight in, or descent from or with, any kind of aircraft if the insured (1) is a pilot, officer, or member of the crew of such aircraft, or is participating in aeronautic or aviation training during such flight or (2) is in the military, naval or air forces of any country and is being transported in a military, naval or air force aircraft. Such amount shall not be less than the reserve on the policy plus any dividends standing to the credit of the policy and the reserve for any paid-up additions, less any indebtedness to the company on the policy. Such limitation may be made by a provision in the policy or by a rider made a part thereof provided, that no such limitation shall be effective unless and until the insured or applicant shall agree in writing thereto; and provided, further, that except in case of policies issued on the lives of persons who have received aeronautic or aviation training or whose occupation entails duty aboard aircraft in flight, such limitation shall apply only in event death occurs within five years after date of issue of the policy. This section shall not affect the validity of provisions which limit the amount to be paid in the event of death of the insured while in the military, naval or air forces of any country at war, or of provisions relative to benefits in the event of total and permanent disability, or of provisions which grant additional insurance specifically against death by accident. Policies issued by life insurance companies organized under the laws of this state for delivery in any other state, territory, district, or country may contain any provisions limiting the amount to be paid in the event of death which are permitted by the laws of such other state, territory, district, or country.

J. Prohibited Provisions

Minn. Stat. §61A.07 No policy of life insurance shall be issued or delivered in this state, or be issued by a life insurance company organized under the laws of this state, if it contains a provision:

- (1) for forfeiture of the policy for failure to repay any loan on the policy or to pay interest on such loan while the total indebtedness on the policy is less than the loan value thereof; or for forfeiture for failure to repay any such loan or to pay interest thereon unless such provision contain a stipulation that no such forfeiture shall occur until at least one month after notice shall have been mailed by the company to the last known address of the insured and of the assignee, if any, notice of whose address and contract of the assignment has been filed with the company, at its home office; or
- (2) in a life policy or annuity contract, limiting the time within which any action at law or in equity may be commenced to less than five years after the cause of action shall accrue; or
- (3) by which the policy shall purport to be issued or to take effect more than six months before the original application for the insurance was made; or
- (4) for any mode of settlement at maturity of less value than the amount insured on the face of the policy plus any dividend additions, less any indebtedness to the company on the policy, and less any premium that may be deducted by the terms of the policy. **This provision does not apply to contracts written on a variable basis.**

K. Policies with Accelerated Benefits

Minn. Stat. § 61A.072, subd. 5 Disclosures

(a) The terminology “accelerated benefit” shall be included in the descriptive title. Products regulated under this section shall not be described or marketed as long-term care insurance or as providing long-term care benefits.

(b) A disclosure statement is required at the time of application for the policy or rider and at the time the accelerated benefit payment request is submitted that receipt of these accelerated benefits may be taxable and that assistance should be sought from a personal tax advisor. The disclosure statement shall be prominently displayed on the first page of the policy or rider and any other related documents.

(c)(1) A written disclosure including, but not necessarily limited to, a brief description of the accelerated benefit and definitions of the conditions or occurrences triggering payment of the benefits shall be given to the applicant. The description shall include an

explanation of any effect of the payment of a benefit on the policy's cash value, accumulation account, death benefit, premium, policy loans, and policy liens.

L. Contracts to Specify Benefits and Consideration

Minn. Stat. §61A.22 No life insurance company shall make any insurance, guaranty, contract, or pledge in this state, or to or with any citizen or resident thereof, which does not distinctly specify the amount and manner of payment of benefits and the consideration therefor, **except that contracts on a variable basis need not specify the amount of benefits thereunder or consideration after the initial premium.**

M. Standard Nonforfeiture Law for Life Insurance

Minn. Stat. §61A.24, subd. 2 No policy of life insurance, except as stated in subdivision 14, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements specified below and are essentially in compliance with subdivision 15.

(1) That, in the event of default in a premium payment, the company will grant, upon proper request not later than 60 days after the date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of the due date, of the amount as may be hereinafter specified. In lieu of the stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper request not later than 60 days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits.

(2) That, upon surrender of the policy within 60 days after the due date of a premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the company will pay , in lieu of a paid-up nonforfeiture benefit, a cash surrender value of an amount as may be hereinafter specified.

(3) That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make the election elects another available option not later than 60 days after the due date of the premium in default.

(4) That, if the policy becomes paid-up by completion of all premium payments or if it is continued under a paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance

or the fifth policy anniversary in the case of industrial insurance, the company will pay, upon surrender of the policy within 30 days after any policy anniversary, a cash surrender value of an amount as may be hereinafter specified.

(5) In the case of a policy, which causes, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provides an option for changes in benefits or premiums other than a change to a new policy, a statement of the mortality table, interest rate, and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the policy. In the case of any other policy, a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, and a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first 20 policy years or during the term of the policy, whichever is shorter, the values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the company on the policy.

(6) A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance laws of the state in which the policy is delivered; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the company on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that the method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which the values and benefits are consecutively shown in the policy.

Minn. Stat. 61A.24, subd. 3 Any provision or portion of subdivision 2 not applicable by reason of the plan of insurance may be omitted from the policy. The company shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

N. Requirement for Replacement Policies

Minn. Stat. §61A.57(d) The replacing insurer shall provide in its policy or contract, or in a separate written notice that is delivered with the policy or contract, that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 30 days beginning from the date of delivery of the policy.

O. Right to Cancel – Notice Requirements

Minn. Stat. §72A.52, subd. 1 In addition to all other legal requirements a policy or contract of insurance described in section 72A.51 shall show the name and address of the insurer and the seller of the policy or contract and shall include a notice, clearly and conspicuously in boldface type of a minimum size of ten points, which shall include the following elements:

- (1) a minimum of ten days to cancel the policy beginning on the date the policy is received by the owner;
- (2) if the policy is a replacement policy, a minimum of 30 days beginning on the date the policy is received by the owner. Pursuant to section 61A.57, this requirement may also be provided in a separate written notice that is delivered with the policy or contract;
- (3) a requirement for the return of the policy to the company or an agent of the company;
- (4) a statement that the policy is considered void from the beginning;
- (5) **for policies or contracts other than a variable annuity or a variable life policy**, a statement that the insurer will refund all premiums paid, including any fees or charges, if the policy is returned; and
- (6) a statement describing when the cancellation becomes effective.

The insurer must return all payments made for this policy within ten days after it receives notice of cancellation and the returned policy. **For variable life insurance policies** this notice must be suitably modified so as to notify the purchaser that the purchaser is entitled to a refund of:

- (i) the premiums paid; or
- (ii) the variable account value plus any amount deducted from the portion of the premium applied to the account.